

BEFORE THE POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

Notice of Market Dominant Price Adjustment

Docket No. R2021-2

COMMENTS OF PITNEY BOWES INC.
(June 28, 2021)

Pursuant to Order No. 5905, Pitney Bowes Inc. (Pitney Bowes) respectfully submits these comments in response to the United States Postal Service's (Postal Service) May 28, 2021 Notice of Market-Dominant Price Change (Notice). The planned price adjustments are the first to be filed and reviewed pursuant to the Commission's new market dominant rate regulations finalized in Order No. 5763. These comments address: (1) the beneficial role of the Commission's workshare rules in promoting pricing and operational efficiency, (2) the importance of maintaining a substantial pricing differential for Metered Letters, and (3) continued support for the Postal Service's use of pricing incentives to drive operational efficiency.

I. The New Workshare Rules are Helping to Improve Pricing and Operational Efficiency; Further Enhancements May Be Necessary

As part of the statutory review of the modern rate system, the Commission changed its workshare rules to require the Postal Service to set workshare discounts to improve efficiency. The new workshare rules require that all workshare discounts must be moved closer to full efficient component pricing (ECP) rates. A discount can only be set below costs avoided if it is a new workshare discount, if the existing discount is increased by 20 percent, or if the proposed discount is set above an 85 percent passthrough floor.¹ The planned price adjustments demonstrate the value of the Commission establishing clear regulatory standards for workshare discounts.

¹ See Docket No. RM2017-3, Order No. 5337 at 206.

The 5-Digit Presort Letters rate is the most important rate category for commercial mailers. In FY2020 5-Digit Presort Letters rate comprised nearly half of all First-Class Mail and almost 75 percent of total Automation Letters. 5-Digit Automation Letters mail is also among the most profitable and efficient mail for the Postal Service to process. For these reasons, it is particularly important that the Postal Service set this rate and underlying discount to encourage more efficient mail preparation, reduce its own costs, and improve its financial stability. Increasing the 5-Digit Automation Letters workshare discount to more fully reflect the value of the work performed also has the beneficial effect of lowering the effective price paid by commercial mailers that prepare mail to 5-Digit levels.

The Postal Service proposes to increase the 5-Digit Presort Letters discount from 3.0 cents to 3.5 cents. This is an important first step. The Commission's rules do not require the Postal Service to move the discount to full ECP rates all at once. Rather, the rules allow the Postal Service to incrementally improve workshare discounts as it did here; the 3.5 cent discount satisfies the minimum passthrough of 85.4 percent. To best encourage volume and reduce costs, in its next rate adjustment the Postal Service should set the 5-Digit Presort Letters discount at 100 percent of the modeled avoided costs, currently 4.1 cents. Consistent with the new workshare rules, the Commission should encourage the Postal Service to continue to incrementally improve these discounts to full ECP rates to maximize pricing and operational efficiency as required by statute.²

II. The Single-Piece Rate Design Will Incentivize Secure, Efficient Payment Channels and Encourage Small Businesses to Use Postal Products

The Postal Service's proposal to restore the five cent price differential between Stamped Letters and Metered Letters will help encourage small and medium-sized mailers to use the Postal Service products to grow their business and recover from the pandemic-induced economic downturn. As the Postal Service has observed in previous filings, Metered Letters are also a more secure and

² See 39 U.S.C. §§ 3622(b)(1), 3622(c)(5), (7), and (12).

efficient payment channel for the Postal Service.³ For these reasons, the Commission has repeatedly and correctly held that non-workshare, policy-based pricing differentials, like the Metered Letters rate, are appropriately within the pricing authority granted to the Postal Service under the PAEA.⁴ The Metered Letters rate also serves as the benchmark for First-Class Mail Presort Letters and, thus, the larger pricing differential and lower effective price of the Metered Letters discount benefits all Presort Letter mailers and helps mitigate the impact of the above-CPI and above-average price increases on Presort Letters in this case. Accordingly, Pitney Bowes supports the Postal Service's restoration of the five cent price differential between Stamped and Metered Letters.

III. The Postal Service's Use of Price Incentives to Encourage Transparency and Operational Efficiency is Welcome and Appropriate

Pitney Bowes supports the Postal Service maintaining the 0.1 cent per piece rate incentive for mailers who enter Seamless Acceptance qualified mailings. The use of pricing incentives for the Full Service Intelligent Mail barcode (FSIMb) and Seamless Acceptance encourage transparency and operational efficiency. Like the FSIMb, the Seamless Acceptance incentive is not a workshare discount; rather it is a policy-based pricing incentive to improve the operations of the Postal Service. *See* 39 C.F.R. § 3030.523(a)(3). The Seamless Acceptance incentive will complement the existing 0.3 cent Full-Service Intelligent Mail barcode discount for First-Class Mail and Marketing Mail. Pitney Bowes commends the Postal Service for continuing to use these pricing incentives to stimulate investments and help recover the considerable ongoing expenses incurred by mailers and mail service providers as they support a more efficient mail stream.

³ *See e.g.*, Docket No. R2020-1, Notice of Market Dominant Price Adjustment (Oct. 10, 2018) at 7.

⁴ *See* Docket No. R2019-1, Order No. 5285 (Oct. 24, 2019) at 66 (upholding proposed meter rate as part of an integrated pricing strategy to slow electronic diversion, incentivize more cost efficient channels, and promote intelligent mail as consistent with statutory objectives and factors); *see also*, Docket No. ACR2016, Annual Compliance Determination (Mar. 28, 2017) at 75-76.

IV. Conclusion

Pitney Bowes appreciates the Commission's consideration of these comments.

Respectfully submitted:

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